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Iraq Status Report

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HIGHLIGHTS



- **Trade Minister Resigns Amid Corruption Allegations (*POLITICAL*, page 4).**
- **Iraq's National Investment Commission Preparing Draft Legislation for Foreign Land Ownership (*ECONOMIC*, page 12).**
- **Iraq and Egypt Signed an Agreement to Improve Bilateral Energy Cooperation (*DIPLOMATIC*, page 17).**
- **Recent Attacks Overshadow Overall Security Trends (*SECURITY*, page 19).**



POLITICAL - Governance & Legislation

Corruption allegations spur resignation; registration for Kurdish elections ends

Trade Minister Resigns Amid Corruption Allegations:

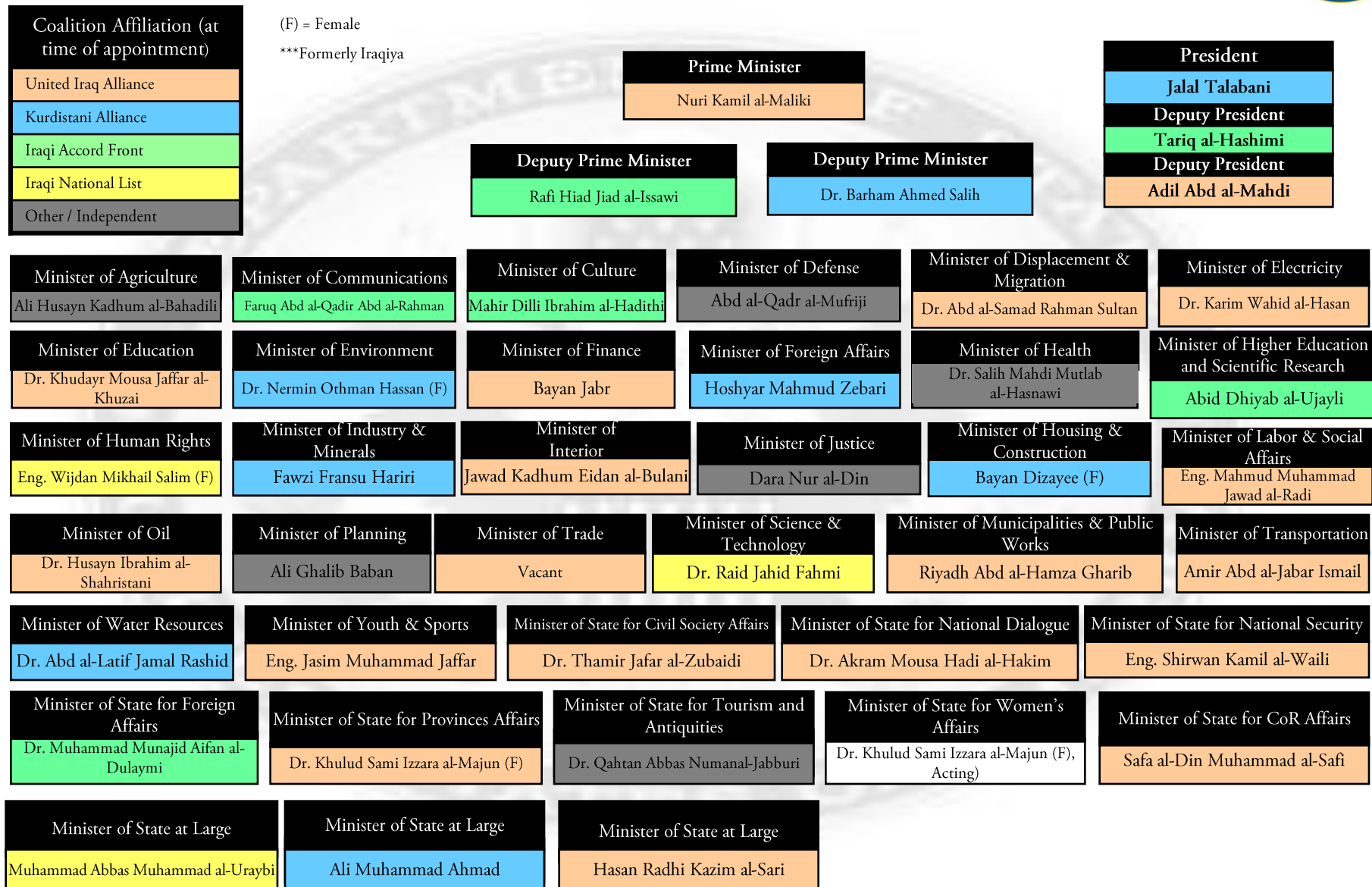
- Iraqi Minister of Trade Abd Falah al-Sudani has resigned amid allegations that he received millions of dollars in kickbacks on imports for Iraq's food distribution system. Sudani, a member of Prime Minister Nuri al-Maliki's Da'wa faction, was questioned by the Iraqi Parliament's Integrity Committee last week, and faced a no confidence vote when Maliki accepted his resignation. Nine other Trade Ministry officials, including two of Sudani's brothers, have been charged with corruption. Despite his resignation, Sudani may still face criminal charges. The Ministers of Defense and Interior have also appeared before the Parliament recently, and Oil Minister Husayn al-Shahristani has been summoned to appear, signaling an increase in government oversight by the Parliament.

Kurdish Presidential Nominees to be Finalized:

- Registration for the Kurdistan Regional Government's presidential elections ended May 25. According to the Kurdish region's electoral commission, current President Massoud Barzani and five others are on the list. Iraq's top electoral official Faraj al-Haidari told Reuters, "In a few days, we'll draw up the list of nominees." The parliamentary and presidential elections will be held simultaneously July 25.



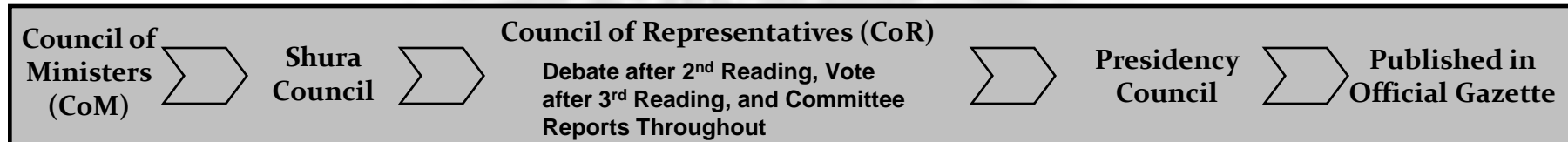
POLITICAL – Government of Iraq



POLITICAL – Key Legislative Issues



Legislative Process



- **Hydrocarbons Package:** The Framework Law was resubmitted to the Oil and Gas Committee on October 26, 2008 and then returned to the Council of Ministers. There has been no progress on the other three laws in the package.
- **NGO Law:** This law will regulate the operations and funding of Non-Governmental Organizations operating within Iraq. It received its first reading in the Council of Representatives on April 20, 2009.

POLITICAL - Refugee Update



- Regional governments report hosting as many as 2 million Iraqi refugees.
- The International Organization for Migration (IOM) estimates that over 2.8 million Iraqis are displaced inside Iraq.
- In FY08, the State Department's Bureau of Population, Refugees and Migration contributed \$287.08 million to international organizations and nongovernmental organizations to assist displaced Iraqis inside the country and in the region.
- The U.S. admitted 13,823 Iraqi refugees in FY08 (which ended September 30).
- Since the program's inception in FY07, 26,691 Iraqi refugees have been admitted for U.S. resettlement; in FY09 alone, the U.S. seeks to admit a minimum of 17,000 Iraqi refugees.
- As of March 2009, a total of 375 Special Immigrant Visa (SIVs) have been issued for Iraqi translators and interpreters since FY08 (under the Section 1059 program).
- As of March 2009, a total of 641 SIVs have been issued for Iraqis since FY08 (under the Section 1244 program).

ECONOMIC – Oil



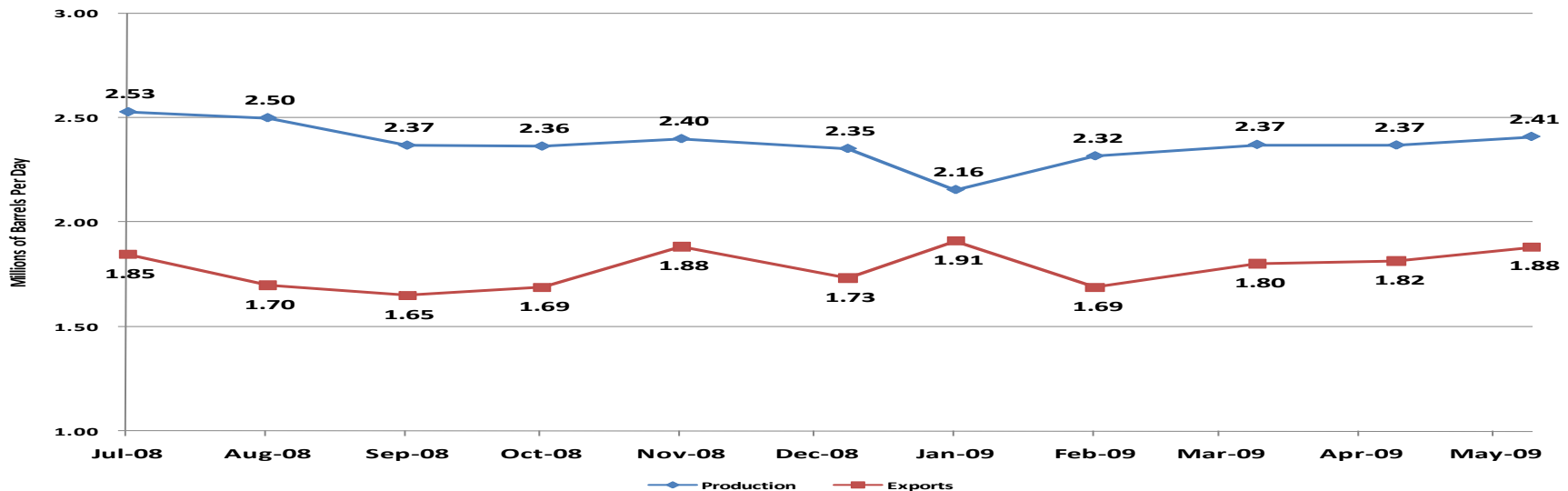
Oil sector remains active despite absence of new federal laws

Crude Oil Update:

Price averages in world markets closed with the following prices:

- Basrah Light at \$56.12/barrel
- WTI Cushing at \$59.74/barrel
- Dated Brent at \$59.00/barrel
- Oman/Dubai at \$58.77/barrel

Iraq Crude Oil Production and Exports



Revenue estimates:

2007: \$41.0 Billion

2008: \$61.9 Billion

2009 (ytd): \$12.24 Billion

ECONOMIC – Oil



Political pressure led by Kurdish MPs on Oil Minister Shahrستاني mounts

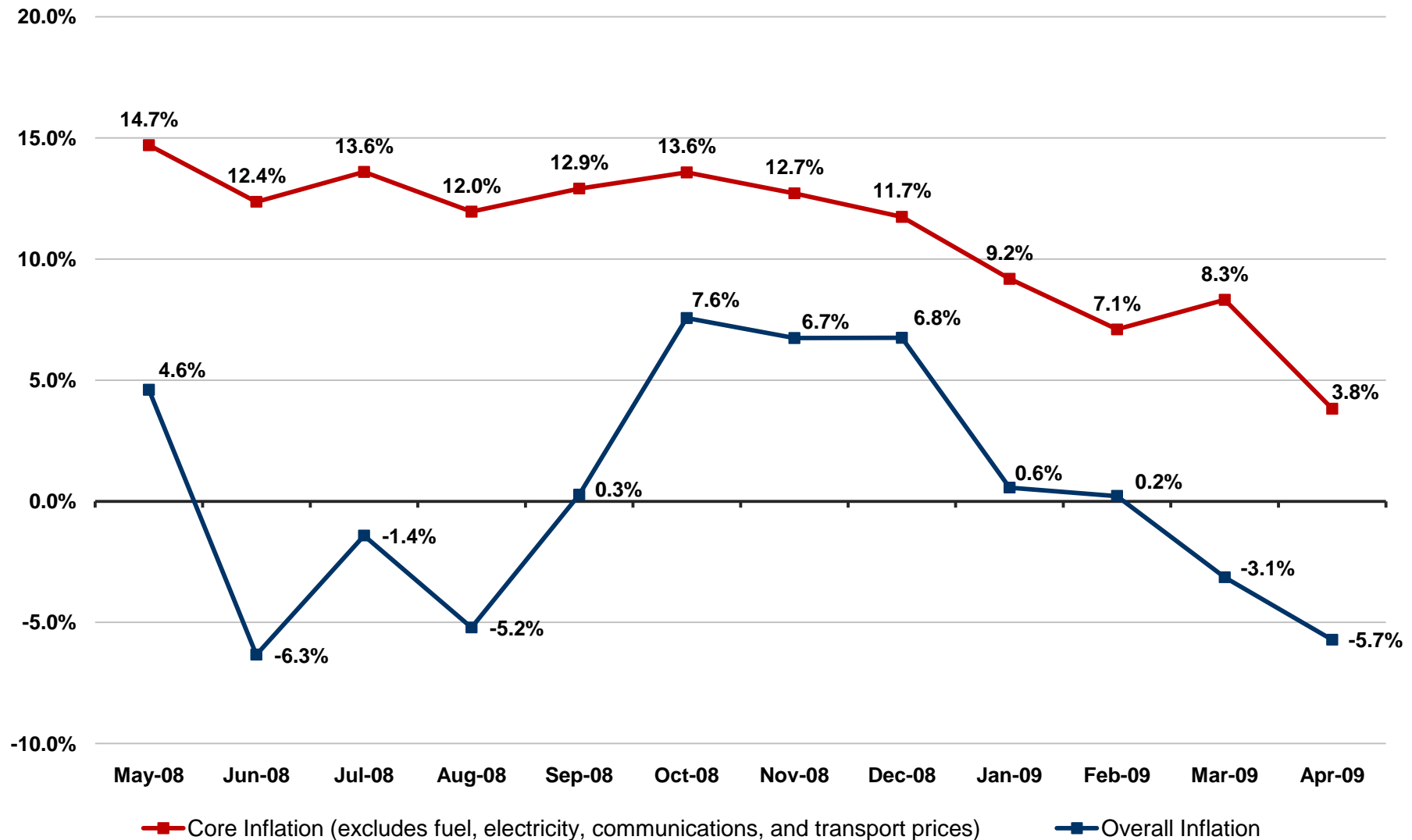
Iraqi Minister of Oil Summoned before Council of Representatives:

- Iraqi lawmakers have gathered 140 signatures in order to summon Minister of Oil Husayn al-Shahrستاني before the Iraqi Parliament to answer why his ministry has not boosted crude oil exports for the past three years under his leadership. Mahmoud Othman, a Kurdish MP, explained lawmakers decided to collect the signatures because they were not pleased with the minister's performance. Iraqi lawmakers could initiate a no-confidence motion if they are not satisfied with Minister Shahrستاني's answers, which could potentially lead to his dismissal by Prime Minister Nuri al-Maliki. Graft allegations have also been aimed at Minister Shahrستاني, although oil ministry spokesman Assem Jihad has maintained that parliament was only interested in the ministry's performance. "The summons is not related to corruption, but to examine production rates...we hope that the questions will focus on professional matters and not politics or the settling of old scores," he added.

ECONOMIC - Fiscal and Monetary Affairs



Year-on-Year Inflation



ECONOMIC – Fiscal and Monetary Affairs



Iraq looks to international lenders to finance its budget deficit

Economic Indicator	This Week	Last Week	Last Month	Last Year
Iraqi Commercial Bond Sales				
Price (USD)	\$60.89	\$59.15	\$52.52	\$66.08
Yield	10.68%	10.87%	13.37%	9.95%

Iraq Seeking Seven Billion Dollar Loan from IMF:

- Minister of Finance Bayan Jabr said the Government of Iraq is seeking a seven billion dollar loan from the International Monetary Fund (IMF) to cover its budget deficit. Iraq is also trying to encourage creditor countries to forgive a portion of its debts and in return Iraq will take a “more open door” approach to investments, according to the minister. "Iraq is trying to secure a seven-billion-dollar loan from the IMF to cover its budget deficit for this year and next," Jabr said.

ECONOMIC – Private Sector



Iraq's National Investment Commission preparing draft legislation for foreign land ownership

Iraq's National Investment Commission Preparing Draft Legislation for Foreign Land Ownership:

- The head of Iraq's National Investment Commission (NIC) Sami al-Araji said a draft law which would allow foreigners to purchase land for private homes is in the final stages of drafting and will be sent for parliamentary review and approval soon. Araji said additionally that land that would be used for investment needs to be overseen by a single body, the NIC, so that investors would know with whom to consult for potential projects. Government entities such as ministries and the city of Baghdad currently own land that could be used for investment, creating more red tape for potential investors. "We aim to be the one-stop shop for foreign investors and get rid of obstacles that prevent that," Araji said. In addition to land reform, Araji also said that investors who contact the NIC will now receive visas to Iraq within 24 to 48 hours, an improvement from before when visas took months to be issued.

ECONOMIC – Private Sector



Iraq's National Investment Commission preparing draft legislation for foreign land ownership

Iraq's Cabinet Approves Bill to Tax Foreign Companies:

- The Council of Ministers approved a bill May 20 that granted Iraq the right to tax foreign companies working in Iraq in oil extraction, production and industries. “According to the act, taxing amount is at least 35% of those firms’ profits accomplished through working in Iraq,” government spokesman Ali al-Dabbagh said in a statement. “The Oil Ministry demanded to legislate this law, and the Finance Ministry drafted it.”

ECONOMIC – Public Services



Improving basic health care remains a serious challenge due to ongoing violence and the shortage of doctors

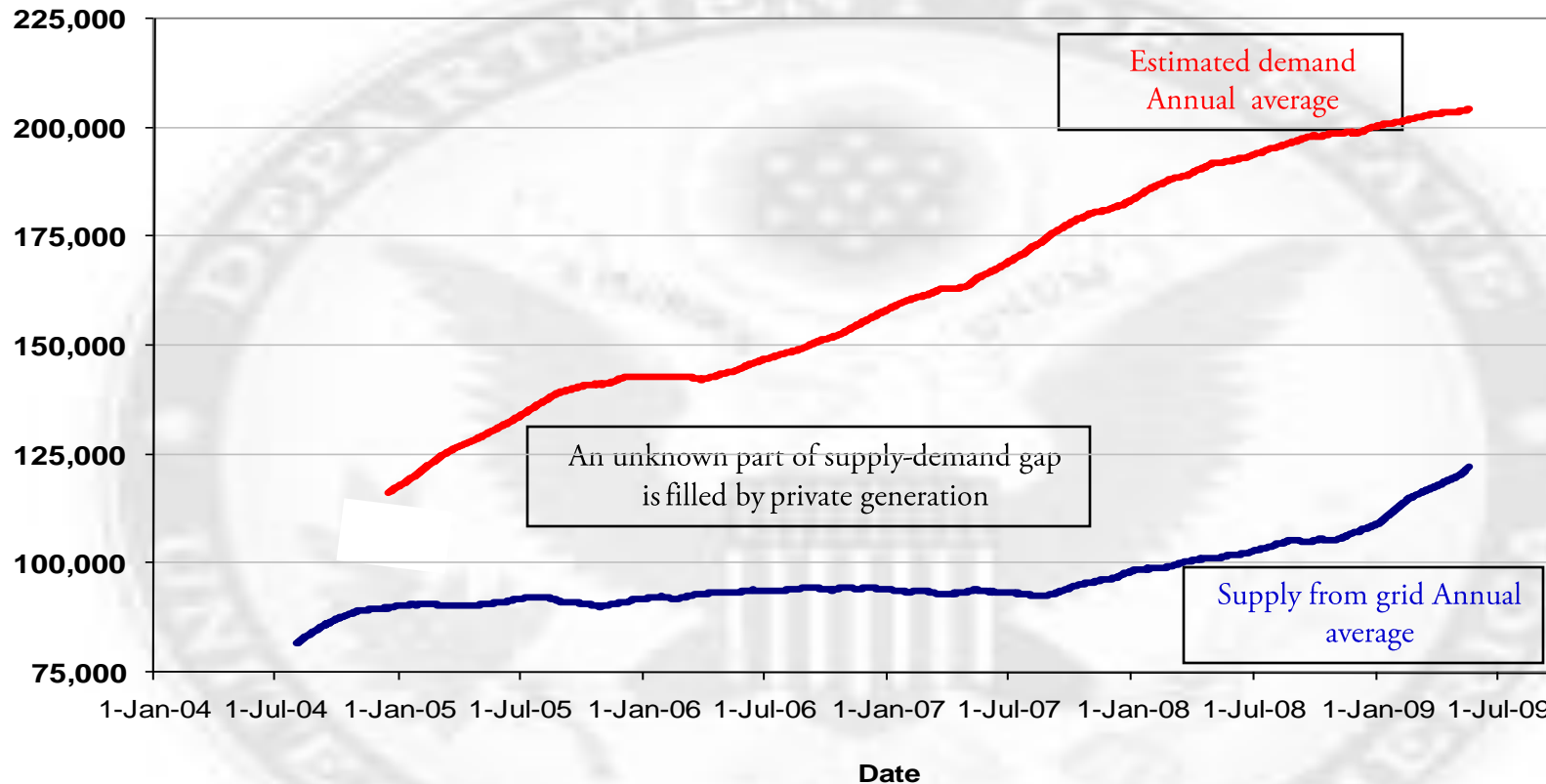
Iraq's Mental Health Care Faces Large Obstacles:

- As Iraq struggles to rebuild its health sector despite a shortage of doctors and supplies, care for the mentally ill has been significantly impacted. At the al-Rashad, Iraq's only mental institution, approximately 1,200 patients are cared for by seven doctors; the country itself only has 70 psychiatrists. The majority of the patients at al-Rashad suffers from chronic schizophrenia and, although nearly half doctors say could live at home, stigma and the violence has kept the patients hospitalized. However, the psychological effects of the violence have prompted Iraq to focus on its citizens' mental health. "Demand for psychiatric treatment will rise, as the nation digests and comes to terms with what has happened over the last years," said Dr. Emad Abdulrazoy, National Adviser for Mental Health at the Ministry of Health, who is in charge of setting up a program to create psychiatric care centers throughout Iraq.

Public Services – Electricity



GOI needs to strengthen policy actions to manage demand and usage patterns



- More than 800 MW of new “feasible” (potentially available) generating capacity have been added to the grid since the beginning of the year. Additions during the current month have been the KRG’s Chamchamal project (400 MW) and two diesel units added by the national Ministry of Electricity (34MW),
- May 17-23, electricity supply from the grid was 47% above the year-earlier period and met 67% of estimated demand compared with 50% for the year-earlier period.

Beyond Baghdad



Ceremony celebrating Ancient City of Ur transfer of stewardship to SBAH

Dhi Qar

Kirkuk

“...we will help Iraq's institutions strengthen their capacity to protect the rule of law, confront corruption, and deliver basic services.”

President Barack Obama

Recent Highlights

An official ceremony took place May 13 in Dhi Qar province celebrating the transfer of stewardship of the Ancient City of Ur to Iraq's State Board of Archaeology and Heritage (SBAH). The ceremony which included celebratory activities such as a children's art contest, poetry readings, and a performance of traditional music was attended by the Governor, Deputy Governor, Provincial Council Chair, local sheikhs and members of the press. The event demonstrates that the SBAH is capable of creating partnerships with the Security Forces, the provincial government, and private sector in order to preserve Iraq's cultural and archaeological heritage.

The comedy group “Mudhouse” performed to approximately 1,800 people in Kirkuk province over the span of three free performances. While the nature of the skits was comedic, the comedy group focused on key themes such as anticorruption and reconciliation. The events were organized with the help of PRT Kirkuk and were attended by a number of VIP's such as the provincial governor and the chief of police. Six news stations, representing all the major ethnic groups in the region, covered the comedy group's performances with plans to rebroadcast them to hundreds of thousands of Iraqis. The general consensus among Iraqi attendees was that the performance would aid reconciliation and anticorruption efforts in the province.

DIPLOMATIC – Political Engagement



GOI strengthens cooperation with regional partners, urges equitable share of water resources from neighbors

Iraq and Egypt Sign Bilateral Energy Agreement:

- Iraq and Egypt signed an agreement to improve bilateral energy cooperation May 20. According to Iraqi Oil Minister Husayn al-Shahristani, the agreement states that Egyptian oil companies will take part in oilfield exploration and development projects and will help build new plants. During a joint press conference with Egyptian Minister of Oil Sameh Fahmy, Minister Shahristani said, "There is still a long way to go for Iraq to develop its energy sector and Iraq needs to cooperate with a huge number of companies.... We encourage Egyptian companies to come and have a presence on Iraqi soil and we are ready to cooperate in all fields." The ministers also discussed the possibility of linking Iraq to the proposed Arab Gas Pipeline to export surplus gas to the Arab World and Europe. The planned pipeline would originate in Egypt and go through Jordan and Syria and eventually could be connected to the Nabucco pipeline linking Turkey to central Europe. Minister Fahmy also announced that discussions are underway to open offices for Egyptian companies in Iraq.

DIPLOMATIC – Political Engagement



GOI strengthens cooperation with regional partners, urges equitable share of water resources from neighbors

Iraqi FM Participates in OIC Conference in Damascus:

- Iraqi Foreign Minister Hoshyar Zebari led an official delegation to Syria May 22 to participate in the 36th session of the Organization of the Islamic Conference's Council of Foreign Ministers conference. According to the Iraqi Ministry of Foreign affairs, the summit aimed to "discuss several issues and challenges that concern the Islamic Nation and promote Islamic solidarity."

Turkey Increases Euphrates' Water Flow After Iraqi Appeals:

- Saleh al-Mutlaq, leader of an Arab Sunni bloc in Parliament, visited Turkey May 22 to meet with Turkish Prime Minister Tayyip Erdogan and President Abdullah Gul. Mutlaq urged Turkey to allow more water flow to Iraq from the Euphrates due to a severe drought that has affected Iraqi farmers who depend on the river's waters. After the meeting, Turkey agreed to ensure its hydroelectric dams along the Euphrates will allocate more water to flow to Iraq. Mutlaq said Turkey "increased the quantities of water coming to Iraq by 130 cubic meters per second" and noted "it's not enough, but it has partly solved the water problems preventing our farmers from planting rice." Iraq now receives 360 cubic meters per second from the Euphrates. Two weeks ago, the Iraqi Parliament passed a bill stipulating that all future agreements made with Turkey or Syria include Iraq's demand for an equitable share of water resources.

SECURITY – Situation Update



Recent high-profile attacks capture attention but are not representative of the overall security situation.

Recent Attacks Overshadow Overall Security Trends:

- At a joint briefing held May 24 in Baghdad, spokesmen Major General (MG) Qassim Atta of the Iraqi Security Forces (ISF) and Multi-National Force-Iraq's (MNF-I) MG David Perkins emphasized that a recent increase in high-profile attacks did not reflect Iraq's overall security trends. Acknowledging some increases in April, MG Perkins said that May has had half as many attacks as April and that overall attack trends are down. (The current frequency of attacks is 20 to 25 a week compared to 450 a week in 2007.) However, as demonstrated by attacks this week in Baghdad, Mosul, Kirkuk, and Fallujah, insurgents and terrorists retain the ability to strike in a number of locations throughout Iraq, overshadowing these trends and potentially undermining overall gains.

State Department Official Killed in IED Explosion:

- A State Department official, a U.S. soldier, and a Department of Defense civilian were killed May 25 when an IED exploded near their vehicle in Fallujah. They were traveling as part of a convoy returning from inspecting a water treatment plant.

SECURITY – Security Transition



The GOI is taking steps to transition the Sons of Iraq to permanent employment and alleviate concerns of SOI leaders.

Iraqi Leaders Listen to Sons of Iraq Concerns:

- The Government of Iraq's (GOI) Implementation and Follow-up Committee for National Reconciliation (IFCNR) held a meeting with approximately 400 leaders of the Sons of Iraq (SOI) May 19 in Baghdad to answer questions and respond to their concerns. The discussion covered a variety of issues including the payment process, recent arrests of some SOI leaders, and the GOI's plan to transition the SOI into permanent employment in either the Iraqi Security Forces (ISF) or non-security jobs. Responding to SOI questions, the reconciliation committee explained delays in payments to some SOI members, describing the bureaucratic and administrative delays that were responsible. The committee also explained the process to apply for back pay for any SOI who did not receive their payments. Additionally, the committee members said they would continue to work with the Coalition and the ISF to carefully consider every case in which an arrest warrant is issued for a SOI member.

SECURITY – Security Transition



The GOI is taking steps to transition the Sons of Iraq to permanent employment and alleviate concerns of SOI leaders.

First Iraqi ISR Aircrew Graduates Training:

- The first class of Iraqi Air Force (IAF) Squadron 87 King Air intelligence, surveillance and reconnaissance (ISR) aircrew members completed their year-long training, culminating in a graduation ceremony at Al Muthana Air Base. The Iraqi King Air program, assisted by U.S. Air Force and Navy instructors, trains Iraqi aircrews to operate ISR platforms that support counterinsurgency operations, border security, and provide overwatch to special events like elections and religious pilgrimages.

1,000 Iraqi Police Graduate in Ninewa:

- The Mosul Public Service Academy graduated 1,000 Iraqi Police May 11, marking Ninewa province's compliance with a Ministry of Interior directive requiring all currently employed Iraqi Police to be formally trained by June 2009. The officers were hired last year and will return to and continue to serve at the police stations where they were previously assigned.



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This brief draws from multiple sources. References are cited on the following pages.

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Please forward all questions and/or comments to:

NEA-I-IPOG-DL@state.gov



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